

Message Text

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S E C R E T SECTION 1 OF 8 VIENTIANE 0537

EXDIS

E.O. 11652: GDS
TAGS: PFOR, LA, US
SUBJECT: UNITED STATES RELATIONS WITH LAOS IN 1976:
BACKGROUND AND FORECAST

REF: A) 75 VIENTIANE 5728 (231005Z SEP 75), B) STATE 270314
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SUMMARY: THREE MONTHS OF DIRECT RULE BY THE COMMUNIST
LAO PEOPLE'S DEMOCRATIC REPUBLIC GOVERNMENT (LPDR) HAVE
SURFACED NOTHING NEW IN REGARD TO ITS POLITICAL ORIENTA-
TION OR LONG-TERM INTENTIONS BUT HAVE MADE IT CLEAR THAT
LPDR WANTS A CONTINUED U.S. DIPLOMATIC PRESENCE IN
EXPECTATION OF EVENTUAL RESUMPTION OF ECONOMIC ASSIST-
ANCE. LPDR REMAINS ORIENTED ESSENTIALLY TOWARDS
VIET-NAM WITH SOVIET INFLUENCE FOR THE TIME BEING
ECLIPSING THAT OF CHINA, BUT UNLIKELY IN THE LONGER RUN
TO UNDO A RESIDUAL CHINESE INFLUENCE FOSTERED BY RACE,
STYLE AND GEOGRAPHY. WE SEE NO CONVINCING EVIDENCE
OF A CHINA VERSUS USSR SPLIT IN THE LPDR LEADERSHIP.
THE LPDR WANTS AID FROM ALL SOURCES BUT HAS NOT DEMONSTRATED
MUCH SKILL OR ABILITY IN PURSUIT OF THIS AIM.
THE NEW REGIME IS MOVING SLOWLY WITH SOME CONCERN
FOR SOCIALIST LEGALITY, WITHOUT MUCH VIOLENCE, BUT
RELENTLESSLY TO CHANGE THE LAO WAY OF LIFE. SOME OF
THE ECONOMIC INSTITUTIONS FAMILIAR FROM OTHER COMMUNIST
COUNTRIES ARE APPEARING; SOME BLACK MARKETING IS
TOLERATED; GASOLINE RATIONING IS EFFECTIVE; PUBLIC

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TRANSPORTATION HAS IMPROVED; SOME PRIVATE PARTICIPATION

IN THE ECONOMY IS STILL PERMITTED; ECONOMIC DATA IS SPARSE. THE INTERNAL SECURITY PROBLEM IS MANAGEABLE BY THE MILITARY/SECURITY FORCES. RELATIONS WITH THAILAND REMAIN THE MOST PERPLEXING FOREIGN POLICY PROBLEM AND THE DIALOGUE BETWEEN THE TWO GOVERNMENTS SEEMS OBSCURE. EAST GERMANY, CZECHOSLOVAKIA, HUNGARY, POLAND, NORTH KOREA AND CUBA MAINTAIN EMBASSIES IN LAOS BUT ARE NOT DOING MUCH OF SIGNIFICANCE. MUCH THE SAME IS TRUE OF THE NON-COMMUNIST POWERS REPRESENTED HERE. THE LPDR CLAIMS TO RECIPROCATE OUR DESIRE FOR NORMAL RELATIONS AND TO UNDERSTAND THAT WE ARE NOT IN A POSITION TO DISCUSS ECONOMIC ASSISTANCE NOW BUT CONTINUES TO MAINTAIN THAT U.S. ECONOMIC ASSISTANCE IS AN INDISPENSIBLE CONDITION TO IMPROVEMENT OF RELATIONS AND TO APPEAR CONFIDENT THAT SUCH AID WILL BE FORTHCOMING EVENTUALLY. AT THE SAME TIME THE LPDR REMAINS INORDINATELY SUSPICIOUS OF OUR ALLEGED INTENTIONS TO SUBVERT THE REGIME AND MAINTAINS A HIGH LEVEL OF HOSTILE PROPAGANDA AGAINST US. WE THINK THAT USIS MAY CONTINUE TO HAVE A USEFUL ROLE TO PLAY HERE. WE EXPECT THAT OUR ADMINISTRATIVE DIFFICULTIES WILL MULTIPLY BUT BARRING SOME MAJOR EXTERNAL DEVELOPMENT WE DO NOT NOW THINK THE LPDR WILL FORCE A BREAK IN DIPLOMATIC RELATIONS. WE SEE OURSELVES FOR THE REST OF 1976 CARRYING ON WITH A HOLDING OPERATION MAKING WHATEVER SMALL GESTURES WE CAN LEGALLY AND PROPERLY MAKE TO KEEP NORMAL RELATIONS GOING WITHOUT THE CONTRIBUTION OF ANY ECONOMIC ASSISTANCE. END SUMMARY.

INTRODUCTION

AFTER THREE MONTHS OF DIRECT RULE BY THE ENTIRELY COMMUNIST LAO PEOPLE'S DEMOCRATIC REPUBLIC (LPDR) GOVERNMENT, WHICH OPENLY SUPPLANTED THE COMMUNIST-DOMINATED PROVISIONAL GOVERNMENT OF NATIONAL UNION (PGNU) COALITION ON DECEMBER 2, 1975, THERE HAVE BEEN FEW SURPRISES. NOTHING NEW HAS EMERGED CONCERNING THE POLITICAL ORIENTATION OR LONG-TERM INTENTIONS OF THE LAO COMMUNISTS. ON THE OTHER HAND, IT HAS BECOME PRETTY CLEAR THAT IN THE SHORT RUN, AT LEAST, DESPITE

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ITS VIRULENT PROPAGANDA AGAINST THE UNITED STATES AT ALL LEVELS AND ON ALL SUBJECTS, THE LPDR ENVISAGES A CONTINUED U.S. DIPLOMATIC PRESENCE IN LAOS IN EXPECTATION OF AN EVENTUAL RESUMPTION OF U.S. ECONOMIC ASSISTANCE IN SOME FORM. THIS MESSAGE SUMMARIZES THE CURRENT BACKGROUND AGAINST WHICH OUR RELATIONS WITH LAOS ARE BEING CONDUCTED AND GIVES OUR BEST ESTIMATE OF HOW THESE RELATIONS WILL PROBABLY PROCEED DURING THE REST

OF 1976.

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S E C R E T SECTION 2 OF 8 VIENTIANE 0537

EXDIS

1. CHARACTER OF THE LPDR GOVERNMENT

A. DRV ORIENTATION

THE COMMUNIST LEADERSHIP OF LAOS IS CONSOLIDATING ITS POWER AND ESTABLISHING A "NATIONAL DEMOCRATIC" POLITICAL AND ECONOMIC SYSTEM. THE LAO PEOPLE'S REVOLUTIONARY PARTY HAS ACHIEVED POLITICAL CONTROL OF THE COUNTRY AND IS SLOWLY EMERGING FROM THE SECRECY IN WHICH IT VEILED ITSELF DURING THE INDOCHINA WAR. ALTHOUGH EVEN TODAY THE FULL MEMBERSHIP OF THE PARTY POLITBURO REMAINS UNKNOWN, FIVE KEY MEMBERS OF THAT BODY HAVE BEEN IDENTIFIED: KAYSONE PHOMVIHANE (LONG-TIME SECRETARY GENERAL OF THE PARTY AND NOW PRIME MINISTER OF LAOS AS WELL, NOUHAK PHOUMSAVAN, PHOUMI VONGVICHIT, PHOUNE SIPRASDEUTH, KHAMTAY SIPHANDONE AND SISOMPHONE LOVANSAY. PRESIDENT SOUPHANOUVONG SEEMS TO ALL OUTWARD APPEARANCES TO BE CONTINUING IN THE ESSENTIALLY FIGURE-HEAD ROLE HE HAD UNDER THE PGNU. HIS PARTY POSITION, IF ANY, IS UNKNOWN. ALL THE TOP LEADERS HAVE IN COMMON A LONG HISTORY OF CLOSE ASSOCIATION WITH THE VIETNAMESE LAO DONG PARTY. KAYSONE UNDERSCORED THE IMPORTANCE OF THE LAO-VIETNAMESE RELATIONSHIP IN EARLY FEBRUARY WHEN HE MADE HIS FIRST FOREIGN TRIP, TO HANOI. THE COMMUNIQUE ISSUED AT THE END OF THAT VISIT EMPHASIZED THE CONTINUITY AND IMPORTANCE OF THIS LONG ASSOCIATION AND THE COMPLETE IDENTITY OF VIEWS BETWEEN THE DRV AND THE LPDR. IT WAS WORTH NOTHING

THAT IN A SPEECH IN HANOI KAYSONE BOASTED THAT LAOS WAS
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THE SITE OF THE HO CHI MINH TRAIL AND HAD CONTRIBUTED
GREATLY TO THE VEIT-NAM WAR EFFORT.

B. RUSSIAN INFLUENCE

HAVING PUBICLY CEMENTED THE TIES WITH HANOI,
KAYSONE NEXT PROCEEDED ON FEBRUARY 23 TO MOSCOW FOR THE
25TH CONGRESS OF THE U.S.S.R. COMMUNIST PARTY. THE
PREPONDERANT SOVIET INFLUENCE ON THE LAO PARTY AND GOVERN-
MENT, AFTER THAT OF THE DRV, IS SUGGESTED BY THE HIGH
LEVEL OF SOVIET PRESENCE AND ACTIVITY IN THE ECONOMIC
ASSISTANCE FIELD, EXCEPT IN EXTREME NORTHERN LAOS WHICH
THE CHINESE APPARENTLY CONTROL, BY THE PRIORITY OVER
CHINA GIVEN THE U.S.S.R. IN LAO PUBLIC PRONOUNCEMENTS
AND BY THE LAO TENDENCY TO FOLLOW THE SOVIET LEAD CLOSELY
ON INTERNATIONAL QUESTIONS, SOME OF WHICH ARE OF NO
SIGNIFICANCE TO LAOS. SOVIET VISIBILITY IS GREATEST
IN THE FIELD OF AIR OPERATIONS WITH SOVIET PLANES NOW
OPERATING IN-COUNTRY "COMMERCIAL" AIR SERVICE FOR THE
PUBLIC AS WELL AS PARTY/GOVERNMENTAL SERVICE FOR THE
LAO COMMUNISTS, AND WITH SOVIET PLANES ALSO FERRYING
IN COMMODITY AID FROM HANOI FROM A VARIETY OF BLOC
DONORS. WE THINK THAT SOVIET INFLUENCE IS MORE APPARENT
THAN REAL, HOWEVER. LAOS'S ESSENTIAL RELATIONSHIP IS
WITH VIET-NAM.

C. THE CHINESE CONNECTION

CHINA, THOUGH FOR THE MOMENT APPARENTLY ECLIPSED,
OR AT LEAST UP-STAGED BY THE U.S.S.R., REMAINS A FUNDA-
MENTAL FACTOR IN LAOS' SFOREIGN RELATIONS. NO COUNTRY
ALONG CHINA'S BORDERS CAN IGNORE HERE, LEAST OF ALL LITTLE
LAOS WHICH, FURTHERMORE, HAS A PHYSICAL CHINESE PRESENCE
IMBEDDED AS FAR AS PAK BENG ON THE MEKONG, 55 MILES DUE
WEST OF LUANG PRABANG AND LESS THAN 20 MILES FROM THE LAO-THAI
BORDER. WE HAVE LITTLE IDEA OF THE DETAILS OF
THIS ROAD CONSTRUCTION AND OTHER CHINESE ASSISTANCE PRO-
GRAMS INCLUDING HOUSING CONSTRUCTION NEAR LUANG PRABANG.
SOME OF OUR DIPLOMATIC COLLEAGUES AND SOME VISITING
JOURNALISTS SEE LAOS PRIMARILY AS AN AREANA FOR SINO-
SOVIET COMPETITION FOR INFLUENCE. THERE IS A RUMOR,
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FOR EXAMPLE, THAT SOVIET PERSONNEL WERE NOT PERMITTED TO VISIT LUANG PRABANG UNTIL "COMMERCIAL AIR SERVICE" BETWEEN VIENTIANE AND LUANG PRABANG BEGAN AND THAT LUANG PRABANG IS ESSENTIALLY A CHINESE ENCLAVE (LIKE PHONG SALY), WHILE THE REST OF THE COUNTRY IS ESSENTIALLY A SOVIET DOMAIN. SUCH ALLEGATIONS ARE IMPOSSIBLE FOR US TO PIN DOWN, BUT WE BELIEVE THAT FOCUS ON COMPETITION BETWEEN THE SOVIETS AND THE CHINESE MISSES THE REAL POINT, WHICH IS THE EXTENT OF VIETNAMESE INFLUENCE AND DOMINATION. WE BELIEVE, IN FACT, THAT MOST, IF NOT ALL, SOVIET ACTIVITIES HERE ARE PROBABLY CARRIED OUT WITH VIETNAMESE CONSENT; THE SOVIETS DO FOR THE LAO THINGS THAT THE VIETNAMESE THEMSELVES WOULD BE HARD-PRESSED OR TOTALLY UNABLE TO DO. WE DOUBT THAT SOVIET INFLUENCE GOES MUCH DEEPER, AND WE SHARE TO SOME EXTENT THE VIEW THAT THE SOVIETS FOR EASONS OF RACE, STYLE AND GEOGRAPHY MAY NEVER BE ABLE TO UNDO A RESIDUAL CHINESE INFLUENCE THAT HAS THOSE SAME FACTORS IN ITS FAVOR. WE BEAR IN MIND THAT THE COMMUNISTS HAVE HAD THE RUN OF THE COUNTRY FOR LESS THAN A YEAR AND THAT SIGNIFICANT PATTERNS, OTHER THAN THE "VIETNAMESE CONNECTION", MAY TAKE MUCH LONGER TO EMERGE.

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EXDIS

D. REPORTS OF INFIGHTING ON ORIENTATION

THERE ARE OCCASIONAL REPORTS FROM SOME SOURCES ABOUT INFIGHTING AMONG THE TOP LEADERSHIP OVER THE RELATIVE PRIORITIES OF ORIENTATIONS TOWARD PEKING AND MOSCOW. MOST OF THESE SOURCES STRIKE US AS UNRELIABLE,

IF NOT FLIGHTY, AND WE SUSPECT THEY ARE PURVEYORS OR VICTIMS OF FABRICATIONS. FACTIONS MAY, OF COURSE, EXIST AMONG THE PARTY'S LEADERS, BUT WE HAVE SEEN NO CONVINCING EVIDENCE OF THEM OR OF THE ISSUES THAT MIGHT SERIOUSLY DIVIDE THEM.

E. LAO DESIRE FOR AID FROM EVERYBODY

THE LAO SAY THEY WANT AID FROM EVERYBODY WHO WILL RESPECT THEIR INDEPENDENCE, ET CETERA, INCLUDING THE UNITED STATES. THEY HAVE EVEN SUGGESTED TO US THAT THEY WANT TO RETAIN COMMERCIAL ACCESS TO THE FREE WORLD VIA THAILAND SO THAT THEY WILL NOT BECOME TOTALLY DEPENDENT "ON ONE SIDE." IT SEEMS CLEAR THAT THEY WANT RELATIONS WITH AS MANY COUNTRIES AS POSSIBLE FOR PRESTIGE REASONS AND TRADE (READ "AID") FROM AS MANY COUNTRIES AS POSSIBLE FOR REASONS OF NECESSITY. HOWEVER, THEY ARE NOT PURSUING EITHER OF THESE AIMS WITH ANY GREAT SKILL OR ABILITY. APPARENTLY BECAUSE OF TRAVEL RESTRICTIONS AND LAO INDIFFERENCE (AND PROBABLY ALSO BECAUSE OF FINANCIAL STRINGENCY AND A CHANGE OF GOVERNMENT AT HOME), THE AUSTRALIANS ARE PHASING OUT THEIR FORESTRY PROJECT.

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THE JAPANESE, WHILE CONTINUING TO WORK ON THE SECOND PHASE OF THE NAM NGUM DAM, ARE DISCOMFITED BY DELAYS (CAUSED PRIMARILY BY THE THAI CLOSURE OF THE BORDER) AND BY EVIDENCE OF LAO INGRATITUDE, SUCH AS REFERENCE TO JAPAN AS A TOOL OF THE UNITED STATES IN THE KAYSONE/LE DUAN COMMUNIQUE SIGNED IN HANOI, AND BY THE LAO INVITING THE JAPANESE WHO HAD BEEN WORKING IN SOUTH LAOS TO LEAVE. HOWEVER, WHILE THE JAPANESE MAY BE HAVING SECOND THOUGHTS, WE HAVE NO INDICATION THAT THEY ARE SEEKING TO GET OUT OF THE NAM NGUM PROJECT. WE DO NOT KNOW WHETHER THE LAO REALLY THINK THAT DELIVERIES OF COMMODITY AID, EVEN ON A CONTINUING BASIS, CAN COMPENSATE FOR THE LOSS OR CUT-BACK OF PROJECT ASSISTANCE AND FINANCIAL AND DEVELOPMENTAL AID OF THE TYPE THAT THE U.S. USED TO SUPPLY OR WHETHER LAO CONDUCT IS NOW CAUSING THE JAPANESE AND THE AUSTRALIANS TO RECONSIDER. ISRAELI AID WAS MINIMAL BUT THE THE POTENTIAL ABSORBABLE AID THAT LAOS MIGHT GET FROM ARABS IN RETURN FOR BREAKING RELATIONS WITH ISRAEL ON FEBRUARY 23, 1976, MIGHT NOT BE SIGNIFICANT EITHER. WE ASSUME THAT LAOS BROKE WITH ISRAEL TO SATISFY THE SOVIET UNION AND THAT AID, PAST OR FUTURE, FROM ANY QUARTER WAS NOT A FACTOR IN THE LAO DECISION. (THIS BREAK, THE FIRST SINCE THE LPDR TOOK OVER, SUGGESTS LAOS IS NOT MOVING INTO ANY MAVERICK "ROMANIA OF ASIA" ROLE.)

2. INTERNAL POLICIES

A. ORGANIZATION AND MANPOWER

1) THE INTERNAL POLICIES OF THE LPDR ARE ONLY SLOWLY EVOLVING. AMONG THE MORE PROMINENT DISCREPANCIES AT THIS STAGE ARE THE FOLLOWING: THERE HAS BEEN NO SERIOUS EFFORT AS YET TO CUT OFF SURREPTITIOUS FLIGHT FROM THE COUNTRY BY LAO AND OTHERS WHO FEEL THEMSELVES THREATENED BY THE NEW REGIME OR WHO SEE GRIM ECONOMIC PROSPECTS UNDER IT. HOWEVER, IT IS NO LONGER ACCURATE, IF IT EVER REALLY WAS, TO TREAT LAOS CONDESCENDINGLY AND FRIVOLOUSLY AS A "NEVER-NEVER LAND" IN WHICH NOTHING SERIOUS EVER HAPPENS. ALTHOUGH THERE HAS BEEN SOME TRUTH IN ALL THE CLICHES OF THIS SORT

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APPLIED TO LAOS OVER THE YEARS, THEY HAVE TENDED TO MASK THE FACT THAT MANY PEOPLE IN THIS COUNTRY HAVE HAD A PRETTY ROUGH TIME. THEY HAVE MORE OF THE SAME TO LOOK FORWARD TO. ALTHOUGH THE PACE OF NEIGHBORHOOD AND OCCUPATION-GROUP SEMINARS FOR THE PUBLIC AT LARGE HAS TAPERED OFF SLIGHTLY, THERE IS A CONTINUING EMPHASIS ON POLITICAL EDUCATION. THE ORDINARY CITIZEN IS CONTINUALLY REMINDED OF HIS CIVIC DUTIES AND RESPONSIBILITIES BY LOUDSPEAKERS THAT BLARE FROM BEFORE DAWN TO AFTER DUSK, BY REGULAR DUTY IN A MINISTERIAL OR NEIGHBORHOOD VEGETABLE PLOT, AND BY CRUDELY PAINTED PROPAGANDA BILLBOARDS THAT GRACE SOME OF VIENTIANE'S "MAJOR" INTERSECTIONS. FOR THE UPPER LEVELS OF THE BUREAUCRACY AND THE OFFICER CORPS OF THE FORMER ROYAL LAO ARMED FORCES THERE HAS BEEN NO LET-UP. SEVERAL THOUSAND OFFICERS AND CIVIL SERVANTS ARE STILL AT "THOUGHT-REFORM" SCHOOL AT VIENG SAY, WHERE SOME OF THEM HAVE BEEN FOR AS LONG AS NINE MONTHS. THEIR FAMILIES IN VIENTIANE, AFTER SOME INITIAL PUBLIC COMPLAINTS, APPEAR TO BELYING LOW AND AVOIDING OLD FRIENDS, BUT WE DOUBT THAT THEIR INITIAL FEARS HAVE BEEN MUCH ASSUAGED. THE "HARD OLD MEN" OF THE NEW TOP LEADERSHIP DO NOT HAVE AT THEIR COMMAND CADRES AS EFFICIENT AS THOSE IN VIET-NAM, BUT THEY ARE MOVING RELENTLESSLY AT THEIR OWN SPEED TO CHANGE THE LAO WAY OF LIFE AND ARBITRARY DETENTION -- AND THE THREAT OF MORE OF IT -- ARE AMONG THEIR MOST EFFECTIVE MANAGERIAL TOOLS.

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EXDIS

2) THE PARTY HAS RUSTICATED TO VIENG SAY THOSE FROM THE OLD VIENTIANE SIDE WHOM IT THOUGHT MIGHT BE A THREAT TO ITS CONTROL. THERE HAS BEEN LITTLE INFORMATION AVAILABLE IN VIENTIANE ON JUST WHAT THESE PEOPLE ARE GOING THROUGH THERE. POLITBURO MEMBER PHOUMI VONGVICHIT HAS PUBLICLY DESCRIBED THE PROCESS IN TERMS REMINISCENT OF ORWELL'S "1984." ACCORDING TO PHOUMI, THERE IS ONE POSSIBLE VIEW OF THE WORLD AND IT IS THAT OF THE COMMUNIST PARTY. WHEN PEOPLE AT THE SEMINARS SINCERELY BELIEVE THIS VIEW, THEY WILL BE ALLOWED TO RETURN TO SOCIETY. APPARENTLY IF SOMEONE IS SO STUBBORN OR SO STUPID AS NOT ACCEPT OR AT LEAST TO FEIGN ACCEPTANCE OF THE COMMUNIST LINE, HE WILL STAY ON INDEFINITELY. THE PRESS HAS REPORTED THE RETURN OF THE FIRST SUCCESSFUL CANDIDATES OF THOUGHT-REFORM CAMPS: 7 PEOPLE, ALL FROM SAVANNAKHET AND ALLOWED TO RETURN AFTER GUARANTEES HAD BEEN GIVEN TO THE GOVERNMENT REGARDING THEIR CONDUCT BY PATHET LAO RELATIVES.

B. AGITATION AND PROPAGANDA

SINCE TAKING POWER IN MAY, 1975, THE PARTY HAS PURSUED RELATIVELY MODERATE TACTICS IN ITS EFFORTS TO CONSOLIDATE THAT POWER. IT HAS AVOIDED THE EXCESSES OF CAMBODIA AND IN ITS STATEMENTS AND ACTIVITIES HAS TRIED TO REASSURE PEOPLE THAT THEIR LIVES AND PROPERTY WILL NOT SUFFER FROM THE CHANGE IN THE SYSTEM. IT HAS ANNOUNCED PARTICULARLY MODERATE ECONOMIC POLICIES AND

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HAS ASSURED PEOPLE OF THE CONTINUANCE OF PRIVATE PROPERTY AND EVEN OF PRIVATE OWNERSHIP OF THE MEANS OF PRODUCTION, THOUGH PERHAPS WITH STATE PARTICIPATION. THE SUPREME PEOPLE'S ASSEMBLY, WHICH WAS ESTABLISHED ON DECEMBER 2 BY A CONGRESS OF COMMUNISTS AND FIGURES FROM THE FORMER REGIME, ORCHESTRATED BY SISANA SISANE, AN ALTERNATE MEMBER OF THE PARTY CENTRAL COMMITTEE AND NOW MINISTER OF INFORMATION, HAS THE TASK OF WRITING A CONSTITUTION AND ADOPTING AN ELECTION LAW. WHEN THESE DOCUMENTS HAVE BEEN PROMULGATED, WHICH SHOULD NOT BE TOO FAR IN THE FUTURE, "ELECTIONS" THEORETICALLY CAN BE HELD AND A BETTER "LEGAL" BASIS FOR THE LPDR THUS ESTABLISHED. WHATEVER THAT DOCUMENT MAY SAY, HOWEVER, IT WILL BE THE PARTY THAT CONTROLS LAOS, NOT THE PEOPLE OR EVEN A PUTATIVE ASSEMBLY OF THEIR CAREFULLY SELECTED REPRESENTATIVES.

C. THE ECONOMY

1) THE LPDR HAS PRODUCED A WAGE STRUCTURE (VIENTIANE A-06) WHICH OFFERS SOME CLUES AS TO THE NATURE OF THE NEW SOCIETY. OTHER MEASURES HAVE ALREADY DEMONSTRATED THAT SOME WILL BE MORE EQUAL THAN OTHERS. IT IS ESTABLISHING SOME OF THE INSTITUTIONS FAMILIAR FROM OTHER COMMUNIST COUNTRIES, NOTABLY STATE STORES FOR THE DIPLOMATIC CORPS, FOR CIVIL SERVANTS AND FOR MEMBERS OF THE CABINET AND THE SUPREME PEOPLE'S ASSEMBLY. THE EMPHASIS ON SELF-SUFFICIENCY CONTINUES EVEN AFTER THE REOPENING OF THE THAI BORDER. AGRICULTURAL PRODUCTS, MOST IMPORTANTLY RICE, MAY NOW BE SOLD ONLY TO THE STATE, BUT IN ADDITION INDIVIDUAL VILLAGES GET NATIONAL PUBLICITY WHEN THEY "DONATE" ANY SURPLUS TO THE STATE, WITH DONATIONS BEING STRONGLY ENCOURAGED IN THE GOVERNMENT PRESS.

2) BEEF AND PORK ARE STILL UNAVAILABLE TO THE GENERAL PUBLIC ON THE OPEN MARKET, THOUGH CHICKEN AND FISH CAN BE PURCHASED. HOWEVER, A FLOURISHING BLACK MARKET IN MEAT EXISTS WHICH THE GOVERNMENT APPARENTLY HAS NOT TRIED SERIOUSLY TO SUPPRESS. A FAIRLY EFFECTIVE SYSTEM OF RATIONING GASOLINE HAS BEEN INTRODUCED.

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PUBLIC TRANSPORTATION WITHIN VIENTIANE, IN THE FORM OF 12 AND 36 PASSENGER BUSES, HAS IMPROVED MARKEDLY AND IS NOW BETTER THAN AT ANY TIME IN THE PAST. CERTAIN SMALL MANUFACTURING OPERATIONS THAT HAD CLOSED DOWN OR WHOSE CONTINUED OPERATION WAS IN DOUBT ARE NOW IN BUSINESS, OR BACK IN BUSINESS, AS JOINT STATE-PRIVATE VENTURES, WITH THE PRIVATE (SOMETIMES FOREIGN) PARTICIPATION ON

A MINORITY BASIS. TOURISM IS EFFECTIVELY SUSPENDED NOW, AFTER A FEW SMALL GROUP-TOURS IN DECEMBER AND JANUARY, AND THE RESIDENT/TRANSIENT HIPPIE POPULATION HAS DWINDLED MARKEDLY. IN THEORY, HOWEVER, COMMUNIST OFFICIALS BELIEVE IN TOURISM AND MAY REINSTITUTE IT, PRESUMABLY WITH CAPTURE OF FOREIGN EXCHANGE AS THEIR MAIN GOAL. CURRENCY REFORM, EXPECTED FOR WEEKS, HAS YET TO TAKE PLACE.

3) WE KNOW LITTLE ABOUT THE GOVERNMENT'S INTERNAL ECONOMIC AND FINANCIAL OPERATIONS AND WILL PROBABLY BE ABLE TO LEARN LESS AND LESS AS TIME GOES ON. THERE IS NOW LESS THAN ONE MILLION DOLLARS IN THE FOREIGN EXCHANGE OPERATIONS FUND; THERE WILL EVIDENTLY BE NO FURTHER CONTRIBUTIONS AND THE ONLY REMAINING QUESTIONS FOR THE DONOR COUNTRIES ARE WHEN AND HOW TO PHASE OUT THE ORGANIZATION ALTOGETHER. WE HAVE NO IDEA OF LAOS'S FOREIGN EXCHANGE RESERVE SITUATION. NEITHER DO WE KNOW THE DOLLAR VALUE OF THE AID LAOS IS REPORTEDLY TO RECEIVE FROM COMMUNIST AND OTHER DONORS OR EVEN FROM THE SOVIET UNION UNDER TERMS OF A PRESUMABLY SIGNIFICANT AGREEMENT SIGNED IN MOSCOW IN LATE JANUARY. THE PUBLISHED STATISTICS CONCERN ONLY THE NUMBERS OF BICYCLES FROM CHINA OR BOTTLES OF SCHNAPPS FROM BULGARIA; DETAILS OF MORE SIGNIFICANT ITEMS SUCH AS RICE AND CLOTH ARE NOT ALWAYS QUANTIFIED IN THE LOCAL PRESS.

D. INTERNAL SECURITY

THE LEADERSHIP'S ONLY ACTIVE INTERNAL SECURITY PROBLEM IS SUPPRESSION OF RELATIVELY SMALL MEO AND FORMER ROYAL ARMED FORCES ELEMENTS THAT ARE WAGING RESISTANCE STRUGGLES IN FORMER MILITARY REGION II AND IN SOUTH LAOS, RESPECTIVELY. (DESPITE RUMORS TO THE CONTRARY
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CIRCULATED BY VIETIANE SIDE-ORIENTED LAO, SOME THIRD COUNTRY DIPLOMATS AND FOREIGN RESIDENTS, WE DO NOT BELIEVE THE LPDR FACES A SERIOUS SECURITY THREAT.) THE REGIME IS PROCEEDING WITH ITS PLANS FOR THE ESTABLISHMENT OF INSTITUTIONS FOR CARRYING OUT THE TRANSITIONAL PHASE BETWEEN THE "NATIONAL DEMOCRATIC" REVOLUTION AND THE COMMUNIST REVOLUTION.

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EXDIS

E. GENERAL STATUS OF MILITARY/SECURITY FORCES

THE LAO PEOPLE'S LIBERATION ARMY HAS A PRIMARY MISSION OF TERRITORIAL DEFENSE OF LAOS AND AN ADDITIONAL MISSION OF INTERNAL SECURITY, INCLUDING ORDINARY POLICE DUTIES. IT IS CAPABLE OF ACCOMPLISHING THESE MISSIONS. IT HAS THE ASSISTANCE OF A SMALL CIVILIAN HOME GUARD IN EVERY VILLAGE FOR VILLAGE DEFENSE AND POLICE WORK. SINCE THE AUTUMN OF 1975 THE LPLA HAS SUFFERED, AND CONTINUES TO SUFFER, LIGHT CASUALTIES FROM SPORADIC AMBUSHES OR OCCASIONAL FIREFIGHTS WITH THE SMALL DISSIDENT ELEMENTS MENTIONED IN PARAGRAPH D. LPLA CAPABILITY TO CONDUCT OFFENSIVE CROSSBORDER OPERATIONS INTO THAILAND IS STRICTLY A FUNCTION OF THE SUPPORT IT RECEIVES OR COULD RECEIVE FROM THE DRV, U.S.S.R., OR OTHER SOCIALIST ALLIES. WE EXPECT THAT OVER THE NEXT SIX MONTHS THE LPLA WILL CONTINUE TO TRY TO ERADICATE DISSIDENT ELEMENTS, TRAIN THE HOME GUARD, AND PROVIDE ARMS AND CADRE TRAINING CLANDESTINELY TO COMMUNIST ELEMENTS LOCATED ALONG THE LAO/THAI/BURMA BORDER.

3. ATTITUDE TOWARDS THAILAND

A. BORDER

THE THORNY QUESTION OF THE THAI/LAO BORDER SYMBOLIZES THE LPDR'S MOST PERPLEXING FOREIGN POLICY PROBLEM TO DATE. THE THAI CLOSED THE BORDER AFTER A MID-NOVEMBER INCIDENT ON THE MEKONG, WHOSE GENESIS IS
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STILL UNCLEAR, AND FINALLY OPENED IT, BUT ONLY IN THE

VIENTIANE AREA, AT THE FIRST OF THE YEAR. LAO OFFICIALS INITIALLY TOOK THE LINE THAT THE BORDER CLOSURE CAUSED THEM NO SERIOUS PROBLEMS AND WOULD SERVE TO TEACH AUSTERITY TO THE CAPITALIST-ORIENTED CONSUMER COMMUNITY OF VIENTIANE. THEY QUICKLY REALIZED, HOWEVER, THAT THE ECONOMIC DRAWBACKS, INVOLVING PARTICULARLY POL PRODUCTS AND FOOD, OUTWEIGHED THE POLITICAL ADVANTAGES AND THAT EVEN THE SOVIET AIRLIFT AND ROAD SHIPMENTS FROM VIET-NAM OF SUPPLIES CONTRIBUTED BY THEIR SOCIALIST ALLIES, COULD NOT COMPENSATE FOR TRADITIONAL SOURCES OF SUPPLY IN AND THROUGH THAILAND. CONSEQUENTLY, THE LPDR BEGAN A CAMPAIGN THROUGH VIRTUALLY ALL THEIR DIPLOMATIC CONTACTS AROUND THE WORLD, FIRST TO GET THE THAI TO OPEN THE BORDER AND MORE RECENTLY TO OPEN IT ALONG ITS ENTIRE LENGTH. UNTIL THE THAI DO SO THE LAO WILL APPARENTLY CONTINUE THEIR REFUSAL TO DISCUSS BORDER PROBLEMS, A DISCUSSION WHICH THE THAI FIRST PROPOSED. WITH VIENTIANE NOW RELATIVELY WELL SUPPLIED WITH CRITICAL POL AND FOOD ITEMS WE THINK THE LPDR WILL BE INCLINED TO WAIT THE THAI OUT ON THE NEXT MOVE WHILE CONTINUING TO SEEK POLITICAL PRESSURES ON THE RTG TO OPEN THE BORDER.

B. PROPAGANDA AGAINST THAILAND

THAILAND CONTINUES TO BE TARGET NUMBER TWO, AFTER THE UNITED STATES, FOR THE LAO PROPAGANDA EFFORT. THE LAO KEEP UP A CONSTANT DRUMFIRE OF PROPAGANDA AGAINST THAILAND AND WHILE DISOWNING ANY DESIRE TO INTERFERE IN INTERNAL THAI AFFAIRS, AND DENYING THAT THEY ARE SENDING ARMS TO THAI INSURGENTS, REGULARLY PROCLAIM THEIR SUPPORT FOR THOSE WHO WANT TO TURN OUT THE PRESENT THAI GOVERNMENT.

C. OBSCURE NATURE OF THE LAO/THAI DIALOGUE

THE LAO APPEAR AT THE STATE LEVEL TO BE MAKING SOME EFFORTS TO KEEP CORRECT RELATIONS WITH THE THAI. IT IS LOGICAL FOR THEM TO DO SO BECAUSE THAILAND, IN THE SHORT RUN AT LEAST, CONTROLS THE MOST PRACTICAL
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ROUTE FOR AID AND OTHER IMPORTS TO REACH LAOS AND FOR LAOS'S FEW EXPORTS TO BE TRANSPORTED TO OTHER COUNTRIES. IN ADDITION, TRADE BETWEEN THE TWO COUNTRIES IS OF MAJOR IMPORTANCE TO THE DEVELOPED PART OF THE LAO ECONOMY. AT THE SAME TIME, HOWEVER, LAOS ALLOWS VIET-NAM TO USE ITS TERRITORY TO SUPPORT SUBVERSIVES IN THAILAND AND INDEED LENDS ITS OWN ASSISTANCE TO THOSE ACTIVITIES. THAI RECEPTION OF REFUGEES FROM

LAOS AND ALLEGED SUPPORT FOR LAO DISSIDENTS HAS ALSO EXACERBATED RELATIONS BETWEEN THE TWO COUNTRIES. IT APPEARS THAT THERE IS A DIALOGUE OF SORTS GOING ON BUT AN UNTIDY, ERRATIC ONE, OBSTRUCTED BY MUTUAL FEARS AND SUSPICIONS AND BY BASICALLY OPPOSITE POLITICAL INTERESTS.

4. SUMMARY OF RELATIONS WITH COMMUNIST COUNTRIES OTHER THAN DRV, USSR AND CHINA

REPRESENTATIVES OF EAST GERMANY, CZECHOSLOVAKIA, HUNGARY, POLAND, NORTH KOREA AND CUBA ARE ALL ON HAND IN VIENTIANE AND CONTINUE TO DO THEIR BIT WITH TOKEN AID AND BACKGROUND NOISES IN SUPPORT OF THE LPDR. THE LPDR HAS ALSO PAID ATTENTION TO THESE FRIENDS. FOREIGN MINISTER PHOUNE SIPRASEUTH LED A DELEGATION TO PHNOM PENH WHICH RESULTED IN EFFUSIVE SPEECHES AND A CAMBODIAN PROMISE OF A RICE DELIVERY BUT EVOKED NO PUBLIC MENTION OF ESTABLISHMENT OF DIPLOMATIC RELATIONS. DEPUTY PRIME MINISTER PHOUMI VONGVICHIT WENT ALL THE WAY TO HAVANA TO THE CUBAN PARTY CONGRESS. THE CUBANS HAVE ROTATED THEIR MEDICAL TEAM IN VIENG SAY AND ARE ABOUT TO START TEACHING SPANISH IN VIENTIANE, BUT WE HAVE SEEN NO EVIDENCE OF MILITARY ADVISORS OR ANY OTHER MORE SINISTER CUBAN INVOLVEMENT, DESPITE ALLEGATIONS TO THIS EFFECT BY THAI OFFICIALS AND THE THAI PRESS.

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5. SUMMARY OF RELATIONS WITH NON-COMMUNIST COUNTRIES OTHER THAN THE UNITED STATES

IN ADDITION TO THE UNITED STATES, JAPAN, GREAT
BRITAIN, AUSTRALIA, FRANCE, WEST GERMANY, THE PHILIPPINES,
THAILAND, INDONESIA, MALAYSIA AND INDIA ALL HAVE RESI-
DENT DIPLOMATIC REPRESENTATIVES IN VIENTIANE. INDIA
HAS GRANTED A TINY AMOUNT OF RELIEF ASSISTANCE AND
THE LPDR AND MRS. GANDI'S GOVERNMENT (PARTICULARLY
ITS AMBASSADOR HERE) FORM A SORT OF MUTUAL ADMIRATION
SOCIETY AS FAR AS PUBLIC STATEMENTS GO. THE JAPANESE,
THE WEST GERMANS AND THE AUSTRALIANS HAVE PREOCCUPA-
TIONS WITH THEIR AID PROGRAMS TO LAOS, WHICH ARE DISCUSSED
IN PARAGRAPH 1.E. THE FRENCH ARE TRYING TO RENEGOTIATE
THEIR ASSISTANCE RELATIONSHIP AND HAVE IN THE MEANTIME
FROZEN THEIR AID FUNDS. THAILAND IS STILL SENDING IN
A MODEST AMOUNT OF AGRICULTURAL ASSISTANCE, PRINCIPALLY
IN THE FORM OF PIGLETS AND RICE, BUT THE LAO/THAI
RELATIONSHIP IS ANOTHER SPECIAL CASE DESCRIBED ABOVE.
THE FILIPINOS ARE KEEPING A LOW PROFILE IN ALL RESPECTS,
AS ARE THE MALAYSIANS. THE INDONESIANS, WHO MAINTAIN
A VERY SMALL MISSION, HAVE BEEN RECEIVING THEIR SHARE
OF PROPAGANDA CRITICISM PARTICULARLY IN CONNECTION WITH
DEVELOPMENTS IN TIMOR. THE BRITISH, WHOSE REAL INTER-
EST IN LAOS DATES FROM THE 1954 GENEVA CONFERENCE PERIOD,
ARE STILL REPRESENTED HERE ALTHOUGH THE INTERNATIONAL
CONTROL COMMISSION HAS LEFT FOR GOOD. THE LPDR IS NOT
MAKING ANY REAL EFFORT TO EXPLOIT ITS CONTACTS WITH

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NON-COMMUNIST COUNTRIES.

6. THE CURRENT STATE OF BILATERAL U.S./LAO RELATIONS

A. OUR POLICY POSITION IS CLEAR

WE HAVE TOLD THE LAO THAT WE WANT NORMAL RE-
LATIONS AND HAVE CITED THE PRESIDENT'S HONOLULU STATEMENT
THAT IN REGARD TO THE FORMER INDOCHINA COUNTRIES WE
WANT TO LOOK FORWARD RATHER THAN BACK, THAT OUR ATTITUDE
TOWARDS THEM WILL BE DETERMINED BY THEIR ATTITUDE TO-
WARDS US AND TOWARDS THEIR NEIGHBORS AND THAT THE HEAL-
ING EFFECT OF TIME IS NEEDED IN INDOCHINA. WE HAVE
ALSO MADE IT CLEAR THAT THE TERMINATION OF THE 1951
BILATERAL AID AGREEMENT AND THE DEPARTURE OF U.S.
ECONOMIC AND MILITARY ASSISTANCE PERSONNEL AT LAO REQUEST,
PLUS THE INDOCHINA RIDER TO THE CONTINUING RESOLUTION,
PRECLUDE ANY DISCUSSION OF ECONOMIC ASSISTANCE TO LAOS
NOW.

B. BUT LAO EXPECTATIONS PERSIST

THE LPDR LEADERS APPEAR TO UNDERSTAND THIS BUT
AT THE SAME TIME TAKE THE POSITION THAT ANY IMPROVEMENT
IN RELATIONS WILL REQUIRE U.S. ASSISTANCE TO "BIND UP

THE WOUNDS OF WAR." DESPITE ALL OUR EXPLANATIONS THEY SEEM TO HAVE CONVINCED THEMSELVES THAT SOME SUCH AMERICAN ASSISTANCE WILL EVENTUALLY BE FORTHCOMING. SUCH ASSISTANCE IS IMPORTANT, NOT JUST FOR WHATEVER VALUE IT MAY HAVE, BUT AS A SYMBOL OF LAO COMMUNIST VICTORY AND AMERICAN DEFEAT. COMMUNIST CADRE ARE SAYING THAT THE UNITED STATES MUST GIVE AID NOT ONLY BECAUSE IT "PLEDGED" TO DO SO OR BECAUSE IT MORALLY OWES ASSISTANCE TO REPAIR THE DAMAGE IT CAUSED BUT BECAUSE IT IS NORMAL FOR "DEFEATED COUNTRIES" TO PAY REPARATION TO "VICTORIOUS COUNTRIES." JUST HOW THE LPDR WILL REACT IF AND WHEN THEY CONCLUDE THAT NO ASSISTANCE FROM THE UNITED STATES IS GOING TO BE FORTHCOMING IS NOT CLEAR. PERHAPS THEY WILL NEVER REACH SUCH A CONCLUSION AND WILL CONTINUE TO ASSUME THAT IF THEY OBSERVE THE AMENITIES AND WAIT JUST A BIT LONGER, AID WILL COME. AT THE PRESENT TIME, THEY MAY BE HOPING THAT THINGS WILL CHANGE AFTER THE U.S. PRESIDENTIAL ELECTIONS. IF, SECRET

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HOWEVER, THEY DO CONCLUDE THAT THE U.S. IS NOT GOING TO GIVE THEM ANY AID, THERE IS A REAL POSSIBILITY THAT THEY WILL ADOPT A COURSE OF BEHAVIOR THAT WILL FORCE A BREAK IN RELATIONS. THEY COULD SIMPLY BREAK RELATIONS ON THEIR OWN, AS THEY DID WITH ISRAEL ON FEBRUARY 23. HOWEVER, SINCE THE UNITED STATES IS OBVIOUSLY NOT TO BE COMPARED WITH ISRAEL IN THIS PART OF THE WORLD, IT IS MORE LIKELY THAT THE LPDR WOULD SIMPLY APPLY INCREASING PRESSURE ON LOCAL AND THIRD COUNTRY NATIONAL EMPLOYEES AND SELECTIVE HARASSMENT OF OUR ADMINISTRATIVE OPERATIONS. THUS, THEY COULD AVOID THE ONUS OF A DELIBERATE BREAK AND PRESERVE, FOR A WHILE, THE HOPE OF WRINGING CONCESSIONS FROM US.

C. LAO SUSPICIONS AND LAO PROPAGANDA ALSO PERSIST ALTHOUGH OUR PERSONAL CONTACTS WITH TOP-LEVEL LEADERS, CABINET MINISTERS, AND SENIOR FUNCTIONARIES ARE CORRECT AND THEY TREAT US COURTEOUSLY, THE LPDR PROPAGANDA LINE REMAINS VIOLENTLY AND VICIOUSLY HOSTILE TO THE UNITED STATES ON JUST ABOUT EVERY SUBJECT THAT COMES UP. WE HAVE NOTED THAT ON THE LOWER LEVELS, AND PART OF THE TIME AT THE TOP LEVELS, SOME OF THEM SEEM TO BELIEVE THEIR OWN PROPAGANDA. FOR EXAMPLE, A ROUTINE REQUEST FOR UNCLASSIFIED ECONOMIC DATA IS NERVOUSLY REBUFFED. A ROUTINE REQUEST FOR CLEARANCE OF AN ATTACHE AIRCRAFT VISIT IS INTERPRETED AS AN ESPIONAGE EFFORT. PUBLISHED REPORTS OF CABINET MEETINGS INCLUDE ALMOST HYSTERICAL CHARGES THAT WE ARE SPONSORING ARMED SUBVERSION. IN SHORT, THE OFFICIAL ATTITUDE TOWARD THE U.S. IS SCHIZOPHRENIC OR AT LEAST EQUIVOCAL.

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D. ADMINISTRATIVE PROBLEMS WILL CONTINUE IN ONE
FORM OR ANOTHER

THE VEXED QUESTION OF THE U.S. COMPOUNDS AND
OTHER PROPERTY ILLEGALLY SEIZED BY THE LAO AUTHORITIES
LAST YEAR REMAINS WITH US AND WE ARE STILL WAITING THE
OPPORTUNE MOMENT TO TACKLE IT AGAIN. MEANWHILE, THE
PROBLEM OF OUR FROZEN BANK ACCOUNTS HAS BEEN LIQUIDATED
AND WE HAVE RECEIVED NO THREATS OF PHYSICAL HARASSMENT
FOR SOME TIME. THESE ARE WELCOME DEVELOPMENTS BUT WE
BELIEVE IT WOULD BE WISE TO AVOID FALLING INTO THE TRAP
OF BEING EXCESSIVELY GRATEFUL TO THE COMMUNISTS FOR DOING
WHAT THEY OUGHT TO DO ANYWAY. THERE ARE OTHER ADMINISTRA-
TIVE PROBLEMS ON THE HORIZON, SOME OF WHICH WILL AFFECT
ALL OF THE NON-COMMUNIST DIPLOMATS AND SOME OF WHICH
WILL AFFECT US PARTICULARLY. WE HAVE RELIABLE INFORMATION
THAT INCREASED SURVEILLANCE OF THE RESIDENCES AND MOVE-
MENTS OF DIPLOMATS IS BEING ORGANIZED. WE KNOW THAT
THE MINISTRY OF DEFENSE IS OUT TO ACQUIRE HOUSING
UNITS OCCUPIED BY FOREIGN DIPLOMATS, INCLUDING TEN TO
THIRTEEN OF OUR HOUSES. WE KNOW THAT THE LPDR WANTS
EVENTUALLY TO GROUP FOREIGN DIPLOMATS WITHIN A DIPLOMATIC
ENCLAVE. WE HAVE CLEAR EVIDENCE THAT THE SECURITY
AUTHORITIES HERE EITHER HAVE NO REAL UNDERSTANDING
OF DIPLOMATIC PRIVILEGES AND IMMUNITIES OR INTEND TO
DISREGARD THEM. IN THIS REGARD ROAD BLOCKS HAVE BECOME
LESS OF A PROBLEM THAN THEY USED TO BE BUT AREA CURFEWS
ARE ARBITRARILY APPLIED IN DIFFERENT SECTIONS, INCLUDING

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THOSE WHERE DIPLOMATS RESIDE, AND THE SECURITY AUTHORITIES RECENTLY SEIZED THE PERSONAL EFFECTS OF A DEPARTED DIPLOMATIC OFFICER AFTER THEY HAD BEEN CLEARED BY CUSTOMS FOR EXPORT. WE FOUGHT THIS ONE OUT SUCCESSFULLY WITHIN 48 HOURS BUT MUST EXPECT SIMILAR HASSLES IN THE FUTURE. MINOR LPDR FUNCTIONARIES KEEP TELLING OUR LOCAL EMPLOYEES THAT THE GOVERNMENT HAS A PLAN TO ASSUME CONTROL OF THE HIRING AND PAYMENT AT DRASTICALLY REDUCED SALARIES OF FOREIGN EMBASSY LOCAL EMPLOYEES.

E. USIS OPERATIONS; A QUESTION MARK

WE HAVE BEEN RATHER SURPRISED THAT USIS HAS COME THROUGH THE PAST SEVERAL MONTHS RELATIVELY UNSCATHED. THE END OF THE LAO-AMERICAN ASSOCIATION CAME AS NO SURPRISE. ITS CONTINUED EXISTENCE IN PRESENT CIRCUMSTANCES WOULD HAVE BEEN ANOMALOUS. NEVERTHELESS, THE PAO HAS FRIENDLY, PERSONAL CONTACTS WITH THE INFORMATION MINISTRY AND THE EDUCATION MINISTRY AND, STRANGELY ENOUGH, THEY SEEM TO WELCOME DISTRIBUTION OF THE USIS BULLETIN IN ENGLISH AND IN LAO AND ARE INTERESTED IN USIS GIFT BOOKS AS REFERENCE MATERIAL FOR THE SCHOOL SYSTEM. WE ARE SOUNDING OUT THIS SITUATION VERY CAREFULLY AND IT MAY WELL TURN OUT THAT USIS WILL CONTINUE TO HAVE A USEFUL, IF LIMITED, INFORMATION AND CULTURAL ROLE TO PLAY HERE.

7. FORECAST ON U.S./LAO RELATIONS FOR THE REST OF 1976

WE ARE PRETTY SURE, AS OF NOW, THAT THE LPDR WILL NOT MAKE ANY MOVE TO TERMINATED RELATIONS WITH THE UNITED STATES UNLESS THE DRV -- OR THE U.S.S.R. -- WANTS IT TO. CONVERSELY, WE ARE SURE THAT IF THE DRV WANTS SUCH A MOVE MADE, THE LPDR WILL RESPOND WITH ALACRITY. IN THE ABSENCE OF SOME MAJOR EXTERNAL DEVELOPMENT, WE DO NOT NOW LOOK FOR SUCH A MOVE DURING THE REST OF 1976. WE THINK THAT EVEN AN EVENTUAL LPDR REACTION TO OUR REFUSAL TO PROVIDE ECONOMIC ASSISTANCE WOULD BE CONTROLLED ONE WAY OR THE OTHER BY DRV WISHES. IT IS POSSIBLE THAT LPDR DEMANDS FOR MORE OF OUR HOUSING UNITS OR RESTRICTIONS ON OUR LOCAL EMPLOYEES MIGHT

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MAKE IT IMPOSSIBLE OR TOO "EXPENSIVE" FOR US TO OPERATE.

AGAIN, BARRING SOME MAJOR EXTERNAL DEVELOPMENT WHICH COULD COLOR THE LOCAL SITUATION, WE CONSIDER THIS POSSIBLE RATHER THAN PROBABLE. PRESUMABLY WE CAN DEVISE WAYS AND MEANS OF FUNCTIONING UNDER MORE RESTRICTIVE AND INHIBITING CIRCUMSTANCES IF WE DECIDE THAT OUR INTERESTS REQUIRE IT. IT SEEMS UNLIKELY THAT OUR VERY LIMITED ABILITY TO AFFORD CONSULAR PROTECTION TO AMERICAN CITIZENS WILL INCREASE. IN SHORT, WE SEE AHEAD OF US FOR THE REST OF THIS YEAR A CONTINUATION OF THE "HOLDING" OPERATION WE HAVE BEEN CONDUCTING SINCE LAST SUMMER AND EXPECT THAT THIS OPERATION COULD BECOME TECHNICALLY MORE DIFFICULT AND MORE EXPENSIVE. GIVEN THE POLICY LIMITS WITHIN WHICH WE OPERATE AND GIVEN THE UNLIKELIHOOD THAT WE WILL EVEN BE ABLE TO TALK ABOUT ECONOMIC ASSISTANCE, OUR ROOM FOR MANEUVER IS LIMITED. HOWEVER, THERE ARE A FEW SMALL EFFORTS WE CAN UNDERTAKE IN THE WAY OF PROBING AND SOUNDING AND INDEFINITELY PROLONGING THE HOLDING OPERATION.

8. RECOMMENDATIONS

A. GENERALLY

THAT WE CARRY ON WITH OUR HOLDING OPERATION, REPORTING DEVELOPMENTS HERE, EXPLAINING THE AMERICAN POSITION AGAIN AND AGAIN AS NECESSARY AND MAKING WHATEVER SMALL GESTURES WE CAN LEGALLY AND PROPERLY MAKE TO KEEP NORMAL RELATIONS GOING WITHOUT THE CONTRIBUTION OF ANY ECONOMIC ASSISTANCE.

B. SPECIFICALLY

(1) DELIVER A DOZEN BRAILLE WATCHES (ALREADY REQUESTED IN VIENTIANE 0397) TO THE MINISTER OF HEALTH OR SOME OTHER APPROPRIATE RECIPIENT WITHOUT TOO MUCH FANFARE.

(2) CONTINUE TO EXPLORE WITH THE MINISTRY OF EDUCATION PRESENTATION OF SMALL QUANTITIES OF USIS-DONATED BOOKS AND PUBLICATIONS FOR USE IN ONE FORM OR

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ANOTHER BY THE MINISTRY OR IN THE LAO SCHOOL SYSTEM.

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(3) SOUND OUT CAREFULLY, PERHAPS FOR THE NEXT FISCAL YEAR, THE POSSIBILITY OF OFFERING A COUPLE OF FOREIGN LEADER GRANTS. WE ASSUME WE WOULD HAVE TO INVITE AT LEAST TWO AT A TIME SO THEY COULD WATCH EACH OTHER.

(4) CONTINUE TO CARRY OUT A CAREFULLY PRE-
PREPARED REPRESENTATION PLAN WHICH SHOULD REVEAL IN THE COURSE OF THE NEXT FEW MONTHS WHAT SORT OF ACCESS WE ARE GOING TO ENJOY TO THE "NEW LEADERS."

(5) RESPOND TO AN ANTICIPATED REQUEST THAT WE
TURN OVER "HILLTOP" HOUSING TO THE DEFENSE MINISTRY WITH
A PROPOSAL TO NEGOTIATE LIQUIDATION OF ALL OF OUR OLD
PENDING "COMPOUND" PROBLEMS IN THE COURSE OF THIS
TRANSACTION IN EXCHANGE FOR SUITABLE NEW HOUSING.

9. ACTION REQUESTED: DEPARTMENT DISTRIBUTE TO DEFENSE,
CIA, USIA AND APPROPRIATE FOREIGN SERVICE POSTS.

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